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DRAFTED BY EA/EP:A.GEBER:MRG

APPROVED BY EA/EP -ANTHONY GEBER

EB:MR. KATZ

USDA:MR. BELL

COMMERCE:MISS BLACK

TREASURY:MR. PARSKY

CIEP:MR. EVANS

EA/ANP:MR. DORRANCE

EA:MR. BARGER

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FM SECSTATE WASHDC

TO AMEMBASSY WELLINGTON

INFO AMEMBASSY CANBERRA

AMEMBASSY TOKYO

USMISSION GENEVA

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY SUVA BY POUCH

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E.O. 11652: N/A

TAGS: PFOR,ECON, NZ

SUBJECT: VISIT OF PRIME MINISTER KIRK: ECONOMIC MEETING

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IN WHITE HOUSE

GENEVA FOR GATT
BRUSSELS FOR USEC
PARIS FOR OECD

1. PRIME MINISTER KIRK ACCOMPANIED BY AMBASSADOR WHITE AND ECON OFFICERS OF NZ EMBASSY MET WITH SENIOR USG OFFICIALS FROM TREASURY, STATE, COMMERCE, USDA, STR AND CIEP ON SEPTEMBER 28 IN AN HOUR LONG EXCHANGE OF VIEWS ON ECONOMIC ISSUES. MEETING WAS CHAIRED BY TREASURY DEPUTY SECRETARY WILLIAM SIMON. PRESIDENT NIXON MADE BRIEF APPEARANCE DURING MEETING RECONFIRMING HIS SUPPORT FOR BILATERAL TECHNICAL-SCIENTIFIC AGREEMENTS WITH GNZ.

2. FOLLOWING PRINCIPAL TOPICS DISCUSSED:

A) NEW ZEALAND PARTICIPATION IN MTN AND OTHER TRADE ISSUES. PRIME MINISTER LED OFF DISCUSSIONS STATING GNZ ENCOURAGED BY US POSITION IN GATT MTN, SPECIFICALLY, ABOUT IMPORTANCE

US ATTACHES TO INCLUSION OF AGRICULTURE. HE FELT PRESSURE WILL HAVE TO BE MAINTAINED ON JAPAN AND EC. KIRK OUTLINED BRIEFLY HIS ASSESSMENT OF WORLD MARKETS FOR NZ DAIRY PRODUCTS INDICATING THAT WITH UK ENTRY INTO EC, NZ DAIRY EXPORTS ARE BOUND TO DECLINE, PARTICULARLY FOR BUTTER. OTHER MARKETS WILL HAVE TO BE DEVELOPED. HE CHARACTERIZED US MARKET AS HOPEFUL BUT EMPHASIZED THAT GNZ SEEKS STABLE EXPANSN OF MARKETS, REALIZING THAT PRECIPITOUS EXPANSION OF EXPORTS IS COUNTER-PRODUCTIVE IN LONG RUN. RE GNZ PROTECTIVE POLICIES, KIRK SAID TARIFF DEVELOPMENT BOARD IS MAKING STUDY AND PREPARING RECOMMENDATIONS; SPECIFIC INQUIRY IS BEING DONE ON POULTRY. RE INDUSTRIAL SECTOR, KIRK EMPHASIZED GNZ STRONG COMMITMENT TO FULL EMPLOYMENT BUT STATED THAT THEY DO NOT WISH TO PROVIDE PROTRACTED PROTECTION TO INEFFICIENT INDUSTRY.

AMBASSADOR MALMGREN (STR) SOUGHT GNZ SUPPORT FOR US OBJECTIVES IN MTN. HE URGED THAT GNZ SHOULD TAKE ACTIVE LIMITED OFFICIAL USE

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ROLE AND NOT HESITATE TO COME FORWARD WITH CONCRETE PROPOSALS, PARTICULARLY IN AREAS OF DIRECT CONCERN TO IT. WE WOULD LIKE TO AVOID THAT MTN BECOME DIRECT CONFRONTATION BETWEEN US, EC AND JAPAN. SMALLER COUNTRIES LIKE NZ COULD PERFORM USEFUL TASK OF MULTI-LATERALIZING NEGOTIATIONS. HE ALSO URGED GNZ TO PAY ATTENTION TO STAFFING OF THEIR NEGOTIATING TEAM WITH COMPETENT AND SUFFICIENTLY HIGH LEVEL NEGOTIATORS.

FINALLY, HE URGED THAT GNZ REVIEW ITS INDUSTRIAL TARIFF AND LICENSING POLICIES AND SEE TO IT THAT TSE POLICIES ARE IN COMPLIANCE WITH GATT SO THAT THIS DOES NOT BECOME AN EMBARRASSMENT TO GNZ AND PREVENT IT FROM ACTIVE PARTICIPATION IN MTN. HINTON (CIEP) AND DEP. ASST. SEC. BARGER ALSO RAISED QUESTION OF QUOTA RESTRICTIONS AND INCREASES IN BOUND TARRIF RATES WHICH IN VIOLATION OF GATT. DEP. ASST. SEC. KATZ CONFIRMED DATE US-NZ BILATERAL ECON TALKS IN WELLINGTON AND THOUGHT THESE QUESTIONS COULD BE FURTHER EXPLORED THEN.

KIRK AGREED WITH MUCH OF THESE POINTS; POINTED TO APPOINTMENT OF DEPSEC OF DEPARTMENT OF INDUSTRY TO GENEVA AND REFERRED TO MEAT TRADE PROPOSAL MADE BY MINISTER WALDING AT TOKYO GATT MEETING AS EXAMPLE OF GNZ INITIATIVE.

KIRK TRACED "LEGACY OF INDUSTRIAL PROTECTIONISM" IN NZ, REITERATED COMMITMENT TO FULL EMPLOYMENT POLICIES BUT INDICATED SELECTIVE REDUCTION OF INDUSTRIAL TRADE BARRIERS. HE ALSO NOTED THAT RECENT INCENTIVES FOR INVESTMENTS IN AUTOMATED MACHINERY AND CURRENT HOUSING CONSTRUCTION BOOM SHOULD BENEFIT US EXPORTERS. HE RAISED ADMINISTRATION OF US DRY MILK QUOTAS AND ASKED ABOUT REPEAL OF MEAT IMPORT RESTRICTIONS. WE POINTED TO RECENT QUOTA ON DRY MILK ISSUED TO NZ AND STATED WHILE WE DO NOT EXPECT REPEAL MEAT LEGISLATION, WE ALSO DON'T EXPECT REIMPOSITION RESTRICTIONS IN FORESEABLE FUTURE.

B) VARIOUS ECONOMIC TOPICS. EXCHANGE OF VIEWS ALSO COVERED VARIOUS ECONOMIC TOPICS SUCH AS ENERGY, PRICE CONTROLS, EXPORT CONTROLS, WAGE CONTROLS, AND AGRICULTURAL TRENDS. DEPSEC SIMON OUTLINED US ENERGY PROBLEM LIMITED OFFICIAL USE

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AND COMMENTED ON NZ ENERGY SITUATION. KIRK STATED THAT DUE TO EXCEPTIONALLY DRY WINTER AND SUMMER, GNZ HAD TO IMPOSE ELECTRICITY RATIONING; ALL OIL IS IMPORTED, THERE ARE TWO GAS FIELDS, ONE IN DEVELOPMENT. OIL EXPLORATION HAS NOT YET BROUGHT TANGIBLE RESULTS. POL PRICE CONTROL TO CONSUMERS OPERATES EFFECTIVELY THROUGH OPERATION OF GOVERNMENT-OPERATED FINANCIAL POOL; SAME APPLIES TO SUGAR. INFLATION IS PROBLEM. PRICE CONTROLS HAVE NOT WORKED TOO WELL; NEW REFINED PRICE CONTROL MEASURES ARE BEING DEVELOPED. WAGE CONTROLS INSTITUTED BY PREVIOUS GOVERNMENT HAVE NOT WORKED, ONLY CREATED INDUSTRIAL STRIFE AND REMAIN SENSITIVE ISSUE. EXPORT CONTROL AUTHORITY IS CONTAINED IN ECONOMIC STABILIZATION ACT AND HAS BEEN APPLIED TO FISH, MILK AND MUTTON. ASSISTANT SECRETARY BRUNTHAVER (AGRICULTURE) OUTLINED

AGRICULTURAL TRENDS IN U.S. INDICATING THAT THERE IS
SHIFT AWAY FROM DAIRY PRODUCTION TO MEAT AND CASH CROPS;
HE EXPECTED GOOD MARKET PROSPECTS FOR NZ AGRICULTURAL
PRODUCTS.

C) SPOKANE EXPO. UNDER SECRETARY TABOR (COMMERCE) URGED
THAT NEW ZEALAND PARTICIPATE IN SPOKANE EXPO IN 1974,
EMPHASIZING IMPORTANCE OF THIS EVENT, PARTICULARLY TO
COUNTRIES AROUND PACIFIC AND INDICATED THAT MOST IM-
PORTANT COUNTRIES ON PACIFIC RIM HAVE INDICATED THEIR
PARTICIPATION. PRIME MINISTER PROMISED TO STUDY MATERIAL
PRESENTED TO HIM. RUSH

NOTE BY OC/T: POUCHED TO SUVA.

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